

DESIGNATION OF MAJOR MANAGEMENT CHALLENGES AND HIGH-RISK PROGRAMS

The IGs, GAO, and the Office of Management and Budget (OMB) each periodically designate a list of Federal programs and activities that represent significant challenges or are deemed to be at high risk for fraud, waste, abuse and mismanagement. Some of the management challenges on these lists are common governmentwide issues such as financial management and information security. Other areas on the lists are distinctly agency- and program-focused. As one would expect, there is general consensus duplication in these lists of major management challenges in the Federal government.

To assess agencies' progress in using performance planning and reporting to address mission-critical problems, the Committee staff relied on the IG- and GAO-designated management challenges and high-risk programs for each agency. The appendix of this report contains a summary for each of the 24 Federal departments and independent agencies on their efforts in using performance planning and reporting to address their major management challenges. The following is a discussion about the designation of management challenges on the part of the IGs, GAO and OMB.

IG Designations of Agencies' Major Management Challenges

In December 1998, Chairman Thompson requested the IGs for the 24 largest agencies to provide information on the most serious management challenges facing their respective agencies. Each IG responded to the Chairman with a list of these management challenges, with many IGs designating 10 challenges and referring to their designations as the "top-10" list. These management challenges served as the bases for the Chairman's August 17, 1999, letters to the heads of the 24 agencies requesting additional information about how the agencies were addressing their management challenges and high-risk programs. In September 1999, Chairman Thompson asked the same IGs to provide updated information on the fiscal year 2000 major management challenges at their agencies. These updated IG-identified management challenges are included in the summary presented in the appendix of this report.

In April 2000, the President's Council on Integrity and Efficiency (PCIE), which is comprised of all Presidentially appointed Inspectors General, released the results of an analysis of the various management challenges identified by the IGs of the 24 agencies. As part of its analysis, the PCIE identified seven challenges that have applicability across the Federal government. In order of most frequently identified by the IGs, these management challenges are as follows:

- Financial Management and Financial Statements
- Information and Technology Resources
- Security and Data Integrity
- GPRA Compliance, Implementation and Accountability
- Procurement and Grant Management
- Personal Security and Safety

Human Capital and Staffing

The PCIE undertook this analysis to assist the IG community in looking for opportunities to improve communications in pursuing solutions to these complex, governmentwide issues.

GAO's Designation of High-risk Federal Programs and Activities

In 1990, GAO began an initiative to place special emphasis on “high-risk” Federal programs and activities that it considered to be particularly vulnerable to fraud, waste, abuse, and mismanagement. The GAO’s original high-risk list consisted of 14 areas. Over time, as some high-risk government operations were corrected and other risks emerged, GAO removed some risks from the list and added new ones to maintain focus on areas that needed sustained management attention. Since 1995, however, GAO has removed only one problem from its high-risk list. Today, GAO’s high-risk list has grown to 26 problem areas, and ten of the 14 original high-risk problems from 1990 remain on the list.

GAO’s most recent high-risk list,¹ which was issued in January 1999, is presented in table 1. Also included is the respective year in which GAO designated the problem as high risk. GAO is expected to update this list of high-risk areas at the start of the new Congress in early 2001.

¹General Accounting Office, *High-Risk Series: An Update* (GAO/HR-99-1, Jan. 1999), pp. 170-171.

Table 1: GAO-designated High-risk Programs and Activities in the Federal Government

High-risk program or activity	Year designated
Providing Basic Financial Accountability	
DOD Financial Management	1995
Forest Service Financial Management	1999
FAA Financial Management	1999
IRS Financial Management	1995
IRS Receivables	1990
Ensuring Major Technology Investments Improve Services	
Air Traffic Control Modernization	1995
Tax Systems Modernization	1995
National Weather Service Modernization	1995
DOD Systems Development and Modernization Efforts	1995
Resolving Serious Information Security Weaknesses	1997
Addressing Urgent Year 2000 Computing Challenge	1997
Managing Large Procurement Operations More Efficiently	
DOD Inventory Management	1990
DOD Weapon Systems Acquisition	1990
DOD Contract Management	1992
Department of Energy Contract Management	1990
Superfund Contract Management	1990
NASA Contract Management	1990
Reducing Inordinate Program Management Risks	
Medicare	1990
Supplemental Security Income	1997
IRS Tax Filing Fraud	1995
DOD Infrastructure Management	1997
HUD Programs	1994
Student Financial Aid Programs	1990
Farm Loan Programs	1990
Asset Forfeiture Programs	1990
The 2000 Census	1997

Source: GAO.

OMB's Designation of the Federal Government's Major Management Problems

In 1989, OMB initiated its own high-risk program, which was featured in detailed reports in the President's annual budget. In 1996, however, OMB dropped this high-risk program. In its place, beginning with the fiscal year 1999 budget cycle, OMB designated the government's most significant management problems as Priority Management Objectives (PMOs). According to the President's fiscal year 1999 budget, the establishment of PMOs would allow the Administration to "provide management leadership to ensure the faithful execution of the enacted budget,

programs, regulations, and policies,” and to “work within and across agencies to identify solutions to mission critical problems.”

OMB issued its first set of PMOs as part of its initial fiscal year 1999 Government-wide Performance Plan submitted under GPRA. For fiscal year 1999, OMB identified 22 key management objectives and developed performance measures or commitments for each of the 11 government-wide and 11 agency- or program-specific PMOs. OMB developed additional sets of PMOs as part of the Government-wide Performance Plan for both fiscal years 2000 and 2001. The lists for years 2000 and 2001 each included a total of 24 PMOs, with 12 having a government-wide focus and the other 12 being agency- or program-focused. For each year, some new management objectives are typically added and other areas are dropped. Table 2 lists the OMB-designated PMOs to be targeted in fiscal year 2001.²

Table 2: OMB’s Priority Management Objectives (PMOs) for Fiscal Year 2001

Strengthening Governmentwide Management

- Use performance information to improve program management and budget decision-making.
- Improve financial management information
- Use capital planning and investment control to better management information technology.
- Provide for computer security and protect critical information infrastructure.
- Strengthen statistical programs.
- Implement acquisition reforms.
- Implement electronic Government initiatives.
- Better manage Federal financial portfolios.
- Align Federal human resources to support agency goals.
- Verify that the right person is getting the right benefit.
- Streamline and simplify Federal grants management.
- Capitalize on Federal energy efficiency.

Improving Program Implementation

- Modernize student aid delivery.
- Improve DOE program and contract management.
- Strengthen HCFA’s management capacity.
- Implement HUD reform.
- Reform management of Indian trust funds.
- Implement FAA management reforms.
- Implement IRS reforms.
- Streamline SSA’s disability claims process.
- Revolutionize DOD business affairs.
- Manage risks in building the International Space Station.
- Improve security and management of overseas presence.
- Reengineer the naturalization process and reduce the citizenship application backlog.

²Absent from OMB’s fiscal year 2001 list of PMO’s are “Better management of real property” and “Improve management of the Census.” In each case, agencies did not directly solve the issues that made the areas management challenges. Rather, they drafted proposals (General Services Administration) or tested procedures (Bureau of the Census), actions that do not represent adequate measures to solve major management challenges.

Source: OMB.

Unlike the PMOs for fiscal year 1999, OMB did not designate specific and readily identifiable performance goals and measures for fiscal years 2000 and 2001. In an April 12, 2000, letter to the OMB Director, Chairman Thompson encouraged OMB to develop and report specific commitments for the PMOs. In his response, the OMB Director stated that the establishment and dissemination of specific goals and measures for the PMOs was not necessary, and that OMB officials “work through the problems internally to achieve the objectives in whatever way is most effective.” Nevertheless, establishing and reporting specific commitments for the PMOs will ensure a more coordinated and sustained effort in these significant challenges and will instill within OMB and the agencies a greater level of accountability for achieving results.

Agencies’ Agreement with IG- and GAO-designated Management Challenges

In their written responses and the meetings with Committee staff, agency officials generally agreed with the management challenges and high-risk programs that GAO and the respective IGs had identified for each agency. Agency officials stated that IG and GAO attention on these management problems has challenged agency managers to draw toward a common focus in resolving these issues. But some agency officials also pointed out that many of these management challenges are long-standing because they are often complex and difficult to resolve.

Committee staff noted some exceptions to this general agreement concerning the designation of management challenges. In these cases, agencies generally claimed that although specific designated areas were indeed challenges for the agency, these challenges were not deemed to be “mission-critical.” For example, the General Services Administration (GSA) said that for its designated list of management challenges, many of the areas did “not merit being categorized as a major problem.” In its written response, the National Aeronautics and Space Administration (NASA) disagreed with the “mission critical” designation of two areas identified by GAO and the IG as management problems (i.e., aerospace test facility cooperation with the Department of Defense and the development and use of launch vehicles).

A few agency officials at these meetings expressed some frustration that when a particular management problem is resolved, the agency’s IG typically designates another new “top-ten” challenge to replace it. Thus, it can appear that the agency is not making progress when some issues are actually being resolved. Agency officials also pointed out that since GAO updates its “high-risk” list every two years, these problems could have been resolved and still remain on GAO’s list, thus giving the appearance that it is still a problem. Officials noted, for example, that the Federal government made significant progress on the Y2K computer problem, but this challenge is still on GAO’s high-risk list because GAO will not likely update the list again until 2001.

In limited cases, the IG may agree that an issue placed on its management challenges list

is not deemed to be “mission critical.” For example, the National Science Foundation’s (NSF) fiscal year 1999 Performance Report and fiscal year 2001 Performance Plan discussed 2 of the 10 major management challenges identified by NSF’s IG but did not address the other 8 challenges. Of these remaining eight challenges, the NSF IG said that it no longer considers four of the them to be significant enough to require inclusion in NSF’s Performance Report or Performance Plan. The IG, however, continued to stress the need for NSF to be alert to emerging situations that could result in them becoming a problem.

Notwithstanding agencies’ claims that certain GAO- and IG-designated problems are not mission-critical, unless the IG or GAO specifically conclude that a management challenge is not deemed to be mission-critical, the major management challenges identified by the independent auditors should receive heightened management attention and should have specific and measurable performance goals where possible and practicable. Moreover, although an IG may add other management challenges to its “top-10” list as an agency resolves previous challenges, these changes in the listing of management challenges demonstrate that an agency is indeed making progress on important activities and programs.